

Hudson Bergen Light Rail System

A contracting model for the 21st century



NCPWP Workshop
Atlanta, GA March 26, 2009

“New Jersey – 1994”

■ **Program Status**

- In development for more than 10 years
- Environmental process not complete
- More than \$60M spent, another \$60M programmed
- Completion date unknown
- Final cost unknown
- No credibility

Challenges

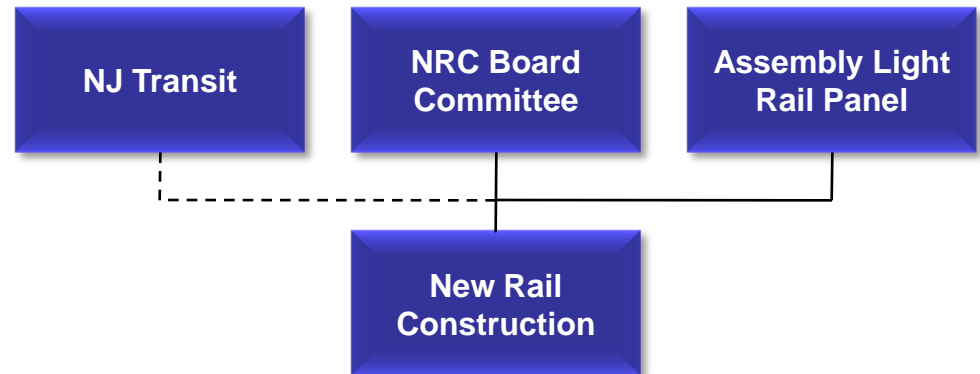
- Organizational
- Regulatory and Environmental
- Funding
- Credibility

Goals

- Award project in 2 years
- Operational in 5 years
- Get development costs under control
- Establish responsible financial plan
- Streamline regulatory process and funding approvals

Office of New Rail Construction

- Special responsibilities and authority
 - 4 high priority public transportation projects
- Streamlined reporting
 - Special committee of the board
 - Assembly light rail panel
- Integrated project team
 - Planning
 - Engineering
 - Real Estate
 - Legal
 - Community Outreach
 - Political Outreach



***Hudson Bergen Light Rail
South Jersey Diesel Light Rail
Monorail Extension & Northeast Corridor Station
Meadowlands Connection***

Early Action Items

- Work with local leaders to finalize alignment, scope, and municipal agreements
- Implemented comprehensive outreach program for community and waterfront developers
- Negotiated “project agreement” with FTA
- Started industry outreach to solicit input on concepts
- Establish financial plan to bridge cash shortfalls

New Contract Model

- Public Private Partnership
 - Private sector innovation
 - Single point of responsibility
 - Share cost, schedule & performance risk
 - Small internal management staff
 - Quality Assurance built in

New Business Relationship

■ Partnership

- Relationship no longer a zero sum game
- Develop contracts that create win/win situations
- Allocate risk to the party best able to control it
- Share information openly
- Engage private partners early on to help develop contract documents that work

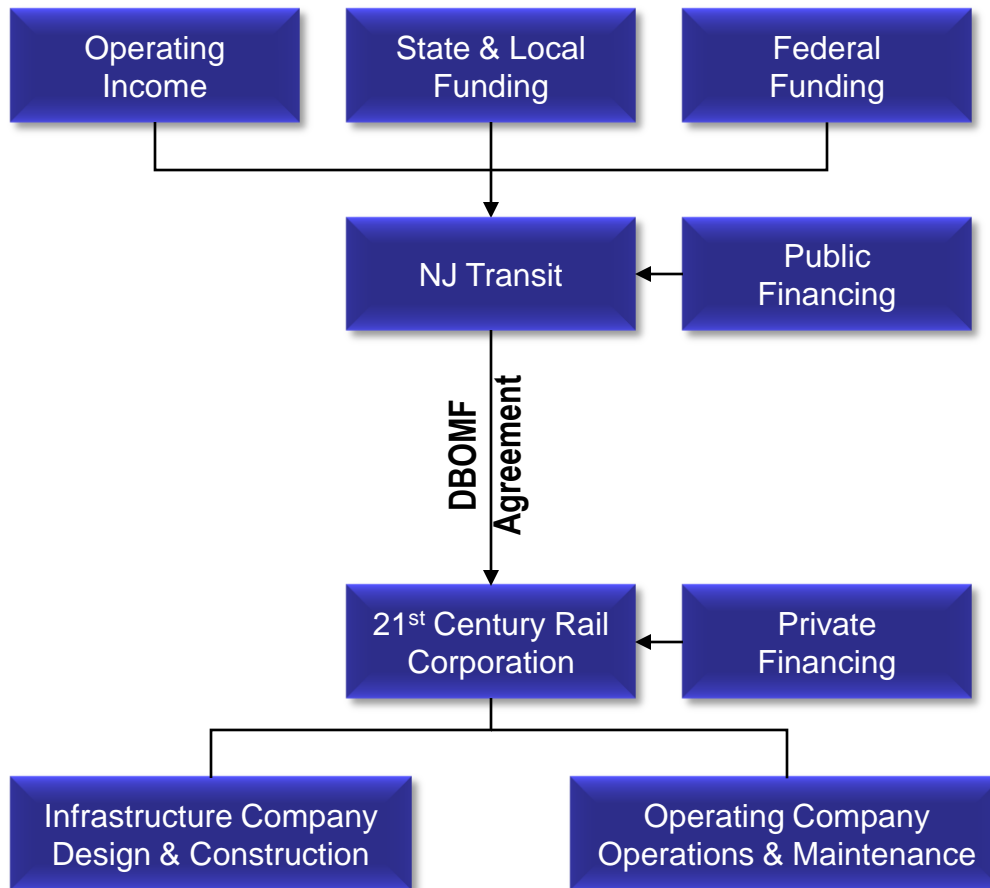
Critical Issues - Procurement

- Establish communications with all interested parties
 - Contract model
 - Procurement process
 - Contract Packaging
 - Construction phasing
 - Risk allocation
- Issue draft RFQ's and RFP's
- Involve industry in evaluation and selection criteria
- Encourage private sector innovation

Critical Issues - Contract

- Bonding
- Insurance
- Risk allocation
- Creative payment provisions
 - Payment for performance
 - Liquidated damages
 - Retainage

Public / Private / Partnership Design – Build – Operate – Maintain Model



- Total project costs identified early
- Public sector holds income risk
- Public sector holds funding risk
- Private sector holds performance risk
- Private sector holds cost risk



Hudson-Bergen Light Rail

Cost and Schedule

DBOMF Streetcar Model:

Traditional Contract:

Concept Development / EIS

Preliminary Engineering

Final Design

Bid Cycle

Construction

Design/Build/Operate//Maintain/Finance:

Project Development / EA

Preliminary Engineering

Final Design

Construction

Year

0 1 2 3 4 5 6 7 8 9 10 11 12

Capital Cost:

Design & Construction \$476M

Vehicles – \$93M

Sub Total – \$569M

Newark City Subway – \$100M

15 Years of O&M – \$434M

Total: \$1.1B

Initial construction estimate \$700M+

▲ **Total Project Cost Known**

▲ **Service Begins**

Project Achievements

- First DBOM contract in North America
- Project fast tracked from “alternatives analysis” to contract award in 2 years
 - Environmental approval, full funding grant agreement and project award in same month
- Contractor & Vendor participation

Project Achievements

- Private sector (contractor) bridge financing
- Unique contract provisions
- O&M costs guaranteed for a specific level of service
- Performance incentives built into O&M requirements
- During O&M phase, the owner is protected against windfall profits ... the private operator is protected from catastrophic loss

Keys to Success

- Private sector financing
 - Teams “monetized” commitment to pay on the part of New Jersey (the banks were willing to take appropriation risk) into a cost effective line of credit.
 - NJT ultimately decided to do convert to public financing to receive tax benefits
- Proposal Requirements
 - Minimize the number of mandatory specifications part way into the procurement process

Lessons Learned

- Create clear lines of authority & Responsibility
- Eliminate “business as usual” attitudes
- Involve private industry in project development
- Develop a project focus with everyone on the same team
- Address areas of shared risk
- Build a strong relationship with your partner
- Minimize mandatory technical requirements
- Owners advisors part of project team
- Address changes early and equitably

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